**WHY THE ECONOMY IS FAILING, AND WHAT YOU CAN LEARN TO NOT FAIL WITH IT: FEATURE ARTICLE**

 It is not secret that the economy is in decline, and some would say it is failing. The following is a look at why the economy is failing, and what you can learn from it so that you do not fail financially as well:

1. Big Banks are failing, even many of those that survived the Great Depression of the 1930s are now collapsing.
2. The U.S. dollar, once as good as gold, has lost more than half its value over the past six years.
4. Our economy is based on the easy availability of cheap oil but prices are skyrocketing.
6. Foreclosure rates are high and rapidly increasing.
8. Consumer spending is declining because Americans carry high debt, and basically are broke with maxed out cards.
10. The biggest investment most people make, their home, is dropping in value. In fact, house values have fallen to levels not seen since the last Great Depression!
12. The government is dumping money into the war in Iraq.
14. American health care systems are collapsing, hospitals are going under, and insurance premiums are going up.
16. America is outsourcing, which means that millions of high-paying manufacturing jobs are lost because it is cheaper to have things made in China, India, and Mexico then in the US.

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1. Food prices are on the rise and becoming increasingly unaffordable.

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| 1. **Helpful Resources:** [YAHOO Answers](http://answers.yahoo.com/question/index?qid=20080211134413AAh7ear)  This site is a question answer type site for why the economy is failing. It poses the question, and you can read the answers that people have posted. It is a great place to explore some of the sentiments about the failing economy. [Why the Economy is Failing](http://www.ruthjkaufman.com/2008/04/why-our-economy-is-failing.html)  This is a great link for an article about why our economy is failing. It offers information for how it got to the stage it is at, and allows you to learn about what causes recession, and what role you play. [Not Letting the Economy Fail](http://www.associatedcontent.com/article/512679/can_we_fight_our_failing_economy.html?cat=3)  This is an associated content article about whether or not we can fight our failing economy, and not allow it to fail. It offers great insight into what we can do to not let the economy fail on our watch.  [Sate of the Economy](http://thinkprogress.org/2008/01/28/sotu-state-of-the-economy-is-failing-for-americans-who-need-it-most/)  This is a look at the state of the economy, why it is failing, and what we can learn from the causes of its failure so that we can prepare ourselves and help the economy as much as we can. [Tips on Saving Money](http://www.thesimpledollar.com/)  This link takes you to a personal finance blog offering great tips on saving money to getting out of debt, which are going to help you not fail financially, despite the state of the current economy. [Finances Are in Your Hands](http://www.washingtonpost.com/wp-dyn/content/article/2007/01/11/AR2007011101227.html) This is a great article that focuses on the fact that your finances are in your hands, and not up to the economy. It offers financial tips to help you feel more financially stable despite economic downturns.  [Cutting Costs on Car Insurance](http://www.investopedia.com/articles/pf/08/car-insurance-costs.asp)  This is a great topic based article that discusses things you can do to cut costs on your car insurance but still have the coverage you need. It is full of great advice for making your basics more affordable. [Personal Finance](http://www.thesimpledollar.com/)  This link takes you to a personal finance blog that addresses many of the issues and financial concerns of the average person including being able to save money, cut costs, and live more frugally. [Handling Your Finances](http://www.rd.com/advice-and-know-how/scams-in-tough-times/article102692.html)  This teaches you how to handle your finances and identity when the economy is on the downside. It explains how scammers and fraud increase, and lets you know what you can do to avoid being scammed. [Avoiding Scams](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10537049&ref=rss)  This link takes you to an article that offers tips for avoiding scams during tougher economic times, and all other times as well. It gives information about making sure you survive economic times. |

1. Crops are failing due to global warming, and farmers are losing money due to high fuel prices, high cost of fertilizers, pesticides, fungicides, and herbicides, so fewer crops are being grown.
3. Real inflation in the U.S. is at 7.5%, and is on the rise.
5. We are seeing labor strikes all over the country because of widespread layoffs, salary reductions, the slashing or even elimination of their pensions, huge increases in medical insurance premiums and the elimination of overtime.
7. Our government is in debt and borrowing from other countries.
8. Pretty soon, 78 million "Baby Boomers" will start to retire, and use social security, Medicare, and Medicaid. The money is not there, so what can they do?
10. The U.S. auto industry is going out of business because they make gas hogs, and are not competing well with manufacturers of alternative fuel vehicles.
12. Consumer debt is out of control, as a whole, the nation lives on credit, which means no real money is in the economy.
14. Federal spending is up, and breaking the bank.

Okay, so you can look at the specific things that are contributing to our failing economy, but what can you learn from them? Well if you look closely you will see that there are trends that lead to problems. Let's look at these, and how you can avoid these in your personal finances.

Debt: The government, and Americans as a whole are carrying large sums of debt. The fact is that you can't get to prosperity by borrowing. However, that has not stopped the federal government from increasing their spending from 3.7 trillion to 9.3 trillion. It does not stop consumers from living off credit cards, and maxing out their available credit. It leads to many of the problems we are seeing, such as having to borrow from other countries, having to lose homes to foreclosure, and more. So, what can you learn and apply to your personal finances? You can learn that debt leads to downward cycles, not upward. Buying things you can't afford, and living beyond your means does not mean happiness, it means burdens you sometimes can't overcome.

Because debt is one of the largest contributors to our economic decline you can take note and get yourself out of debt. You should stop spending, cut those credit cards up, close accounts that are inactive, and make paying your debts off your biggest focus. Aggressively paying off your debts is going to help you be in the best financial position possible. If you do not owe money on your car, it can't be repossessed. If you do not owe large sums on credit cards, then if the creditor calls in the debt, you won't be in a pinch trying to find a way to pay it. The best plan of action is to start by paying off your highest interest debt first. Apply as large of a payment as you can to it, and when it is paid off, transfer that sum, plus whatever you are already paying, to another debt until it is paid off, and on and on. If you do this, you will get out of debt faster. Never pay minimum payments, instead pay at least double. And, while working to get out of debt, do not add to your debt load. Set a firm rule, "If you can't pay cash, you can't have it."

Relying too heavily on others: Our government and economy have relied too long on resources coming from other countries. Consumers rely on farmers to grow food. Farmers rely on good weather to be able to make profits. Baby boomers rely on their social security for retirement. The list goes on. The problem we are starting to see is that many times, the only thing you can rely on is yourself. Big banks that are now failing were relying on their history of getting through hard times to see them through this, rather than on themselves, and what are the results? They are failing. So, how can you apply this to your personal finances? Too many people think that they can afford the large home, extra cars, and nice things because they have a good job with a high income. What happens when they lose that job due to downsizing? What you can learn is that if you do not count on your big income, or your investments going up, etc. you can't be disappointed, or lose your home, etc. if you lose those things. This goes hand in hand with debt, if you can't make your car payment if your income decreases, then do not buy that car. You can also apply this idea to investing. Do not put all of your eggs in one basket. If you invest all of your money in the stock market, and it crashes, you lose all of your money. However, if you diversify, you have less risk.

Next, you can't plan on using the equity of your home, or the value of your investments, etc. to get you through troubled times. If markets decline, you suddenly lose your safety net. What do you do if you planned to use home equity to pay for your kid's college, and suddenly that equity is not there anymore? So, find ways to rely on yourself more, and on other things less. Save more, spend less. Have food, funds, etc. stocked up. That way, when times get hard, you do not have to count on the grocery store to have what you need, you can turn to your storage room, or your cellar until things improve. If you have six months worth of funds in cash at home, if your bank fails, you won't lose your home because you do not have money to make your house payments. If you have an emergency fund, you won't get in over your head if you lose your job. Instead, you will have money to make ends meet until you find something else.

Have a savings account, and a cash emergency fund. If your bank fails, even if it is insured federally it could be months or years before you see your money, so while it is important to have money in the bank, it is also smart to have cash on hand as well.

Have a food supply. It is wise to have a least a month's worth of non-perishable food stored in your home. That way, if stores are low on items, or you do not have the funds to purchase the high priced goods, your family is not going to go hungry. It is wise to have a year's worth of food on hand, if possible, but at least a month.

Own things of value. When the economy starts to fail, things like stock mean little, especially if the companies you are invested in go under. However, investing in real estate, metals, and other hard assets are going to be far more beneficial. So, have more than paper saying you own something, have something that you own.

While the economy will eventually bounce back, and over time will correct itself, it is a good idea to not let yourself get into deep debt, or financial trouble during that time, you may not bounce back. So, learn from the mistakes of our country as a whole, and have better personal economics then you see in our country.